

To: W.F. Jones, President

019827

From: M.D. Lawson

Subject: Gum Deposit - AEX Equity

While the geological information available from diamond drilling on the Gum deposit near Vangorda Creek, is as yet only an indicator of possibly a large ore reserve, 30 million tons plus, we have taken the following parameters and subjected them to a 100% equity cash flow analysis.

as well as a debt equity calculation based upon Mineable ore reserve: 80% bank financing at 11% interest.

17,500,000 tons 7.5% Zn 3.5% Pb 2.0 oz. Ag

from observation of diamond drill hole assays and because underground mining methods allow greater selectivity we have arbitrarily also taken in one set of analysis a mining schedule of

5,250,000 tons 9.5% Zn 5.5% Pb 3.0 oz. Ag

12,250,000 tons 6.64% Zn 2.64% Pb 1.57 oz. Ag

Mining Rate

5000 tpd - 1,750,000 tons per year - 10 year life

Metallurgical Data

based upon previous testing done by numerous companies on the Vangorda Creek deposit

<u>metal</u>	<u>recovery</u>	<u>Concentrate grade</u>
zinc	78%	52%
lead	86%	65%
silver	70%	18 oz. (in lead conc.)

Mining Costs

underground methods 1974 \$ 15.00 per ton ± \$2.00

Smelter Charges.

from Noranda sales.

zinc - 33.8% of 85% of metal contained in concentrate
lead - \$121.25 per S.D.T. of 60% metal contained in concentrate

Transportation

from Noranda sales

Whitepass and Yukon - truck, rail, plant to
Skagway including handling ^{to Japan port.} \$33.00 per S.D.T.

Capital Costs

guesstimated following discussions with Killbourn Engineering and including \$10 million for townsite at Fovd.

1974 1975 1976 1977 1978 1979

Surface		4,000,000	30,000,000	4,000,000	
U/G	900,000	2,000,000	2,000,000	6,100,000	14,000,000
Washing					15,000,000